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OREGON INVESTMENT COUNCIL  
DECEMBER 5, 2012  
MEETING MINUTES

Members Present: Paul Cleary, Harry Demorest, Katy Durant, Keith Larson, Dick Solomon, Ted Wheeler

Staff Present: Darren Bond, Tony Breault, Karl Cheng, Jay Fewel, Sam Green, John Hershey, Brooks Hogle, Julie Jackson, Perrin Lim, Tom Lofton, Mike Mueller, Tom Rinehart, Michael Selvaggio, Priyanka Shukla, James Sinks, John Skjervem, Michael Viteri

Consultants Present: David Fann, Kenn Lee and Tom Martin (TorreyCove); John Meier (SIS); Alan Emkin, John Linder and Mike Moy (PCA); Nori Gerardo Lietz (Areté)

Legal Counsel Present: Dee Carlson, Oregon Department of Justice  
Deena Bothello, Oregon Department of Justice

The OIC meeting was called to order at 9:00am by Keith Larson, Chair.

**I. 9:00 a.m.: Review and Approval of Minutes**

**MOTION:** Mr. Demorest move approval of the amended October 31, 2012 meeting minutes. Mr. Solomon seconded the motion. The minutes were approved unanimously by a vote of 5/0.

Mr. Larson took a moment to welcome new OST CIO, John Skjervem. He also thanked the search committee for their participation in and contributions to a thorough and effective recruiting process. Lastly, he thanked Mike Mueller for the hard work and dedication Mike demonstrated as Interim CIO.

**II. 9:04 a.m.: Stonepeak Infrastructure Fund, L.P.-OPERF Alternatives Portfolio**

Staff and TorreyCove recommend a commitment of \$100 million to Stonepeak Infrastructure Fund L.P., subject to the satisfactory negotiation of requisite documentation with OST staff working in concert with Department of Justice legal staff.

John Hershey, Senior Alternatives Investment Officer introduced Michael Dorrell and Trent Vichie, Senior Managing Directors from Stonepeak. Stonepeak is targeting infrastructure investments in the North American middle market, primarily in the Water & Utilities (electric utilities, water and waste water), Energy (midstream pipelines, alternative energy) and Transportation (rail, barges, airports, roads) sectors. Stonepeak management anticipates that equity commitments will range from \$50 million to \$200 million with a targeted total equity return in the mid-teens, strong cash-on-cash current yields and real return (i.e., inflation) linkage.

Stonepeak will focus on long lived opportunities with relatively low leverage where there are significant add-on growth opportunities that can provide accretive investments at higher IRRs. Through its operating partners, Stonepeak intends to intensively manage the portfolio companies.

Stonepeak offers one of the few independent and experienced managers with a track record of successful investing as a principal in the infrastructure sector. The investment will further build out the 25-35 percent target allocation of the infrastructure sleeve in the Alternatives Portfolio, as established in OIC Policy 4.06.02.

**MOTION:** Mr. Solomon moved approval of the staff recommendation. Mr. Demorest seconded the motion. The motion was passed by a vote of 5/0.

### **III. 9:52 a.m.: A&M Capital Partners-OPERF Private Equity Portfolio**

Mr. Larson shared that he worked in a prior capacity with A&M's advisory business (from which this fund is separate); however, he does not believe that experience presents a potential conflict of interest.

Staff and TorreyCove recommended that the OIC authorize up to a \$100 million commitment to A&M Capital Partners, L.P., on behalf of OPERF, subject to the satisfactory negotiation of terms and conditions, and completion of requisite documentation by DOJ legal counsel working in concert with OST staff.

Jay Fewel, Senior Investment Officer introduced Mike Oldrich, Global Head of A&M Capital Partners, and Jack McCarthy and Kurt Kaull, Managing Directors. A&M Capital is a recently formed affiliate of Alvarez & Marsal Holdings, a global corporate advisory firm focused on distressed situations employing over 1,400 professionals operating from 40 offices around the world. Alvarez & Marsal is the largest firm of its kind, with a deep pool of resources, extensive business connections and a large client base. Alvarez & Marsal is expected to contribute heavily to A&M Capital's deal sourcing, transaction execution and operational improvement efforts in portfolio companies.

While this opportunity is the first fund offering by A&M Capital, staff believes that many of the risks of a first-time fund are mitigated here. The size and resources of the Firm's affiliate, Alvarez & Marsal, minimize start-up and execution risks without introducing potential conflicts of interest common in firms affiliated with investment banks. The Firm's founders have substantial private equity experience, and have worked together before in various capacities.

**MOTION:** Mr. Demorest moved approval of the staff recommendation. Mr. Solomon seconded the motion. The motion was passed by a vote of 4/1 (Treasurer Wheeler voted no).

### **IV. 10:47 a.m.: OPERF Opportunity Portfolio Annual Review**

John Hershey gave an annual update on the Opportunity portfolio.

New commitments in 2011 include:

- TPG Specialty Lending, Inc. (\$100mm – May)
- Royalty Pharma Investments (\$50mm – October) \* Was never closed
- Nephila Juniper (\$50mm – December)
- Nephila Palmetto (\$50mm – December)

2012 new commitment:

- RS Investments (\$50mm – August)

Strategies of interest:

- Dislocation oriented
  - Structured credit
  - Shipping
- Less correlated oriented
  - Drug royalty streams
  - Insurance and reinsurance related

- Intellectual property
- Innovation oriented
  - Currencies
  - Trade finance
  - Legal settlements
- Strategic partnerships
  - “Club Deals”
  - Co-mingled tactical/opportunistic partnerships

**V. 11:12 a.m.: Higher Education Endowment Fund Annual Review**

Mike Mueller, Deputy CIO, and John Meier, SIS, provided an annual review of the Higher Education Endowment Fund. The HIED Endowment Fund returned 15.4 percent for the year ended September 30, 2012. Unlike last year, the market environment provided a good tailwind (i.e., the Russell 3000 gained 30.2 percent and the MSCI AC World ex-US index gained 14.5 percent over the previous 12 month period). This performance was 20 basis points under the fund’s passive policy benchmark which recorded a 15.6 percent total return. On a relative basis, however, the domestic equity and international equity managers continued to perform well, with only Columbia Acorn lagging its benchmark over the past one and three-year periods. Over longer periods, however, each manager has added value over its respective benchmark.

**VI. 11:15 a.m.: OPERF 3<sup>rd</sup> Quarter Performance Review**

John Meier with SIS reviewed the 3<sup>rd</sup> quarter 2012 OPERF performance.

**VII. 11:35 a.m.: Asset Allocations and NAV Updates**

John Skjervem, OST Investment Division CIO, reviewed the Asset Allocations and NAV’s for the period ending October 31, 2012.

**VIII. 11:36 a.m.: Calendar – Future Agenda Items**

Mr. Skjervem highlighted future agenda topics.

**IX. 11:37 a.m.: Other Business**

None

**11:38 a.m.: Public Comments**

None

The meeting adjourned at 11:38am.

Respectfully submitted,



Julie Jackson  
Executive Support Specialist